



HOUSE
BUDGET
REPUBLICANS

Budget Digest

Ranking Member Steve Womack

February 25, 2019





BUDGET DIGEST: THE TAX CUTS AND JOBS ACT


In December 2017, Congress passed and President Trump signed into law the Tax Cuts and Jobs Act (TCJA), the first overhaul of the nation's tax code in more than three decades. The law delivered much-needed tax relief to workers, families, and businesses – unleashing job creation, investment, and economic growth.

Pre-TCJA: Slow Economic Growth, Stagnant Wages. Before the TCJA, the United States imposed the highest corporate tax rate in the industrialized world, effectively 39 percent, while small businesses faced rates as high as 44.6 percent. These uncompetitive rates discouraged local investment and job creation, drove employers and job opportunities overseas, and held back economic growth here at home. From 2008 to 2016, GDP growth averaged 1.4 percent. Wage growth was essentially stagnant. \$2.6 trillion in foreign earnings were stranded abroad. Many job creators in numerous sectors of our economy began moving their operations to countries with more modern, competitive tax codes, taking trillions of dollars and hundreds of thousands of jobs with them.

What Changed. The TCJA lowered individual tax rates at every income level, nearly doubled the standard deduction, and maintained important support for families, allowing Americans to keep more of their paychecks. The law also delivered tax relief to job creators of all sizes so they could invest more of their hard-earned income in their businesses and workers. Specifically, the law lowered the corporate tax rate to 21 percent and significantly reduced the tax burden for Main Street businesses by providing a first-ever 20-percent tax deduction. It also allowed businesses of all sizes to immediately write off the full cost of new equipment, providing even more opportunities to create jobs and increase paychecks. Further, the law made it easier for American businesses to bring home foreign earnings and eliminated incentives for companies to move overseas.

The Tax Cuts and Jobs Act Has...

-  Put more money in the pockets of middle-income families
- Spurred businesses to invest in their employees and expand operations 
-  Increased U.S. competitiveness, bringing back jobs and investments from overseas
- Helped ensure a brighter future for Americans from all walks of life 

REPUBLICANS-BUDGET.HOUSE.GOV

Where We Are Today: Much-Needed Relief, New Jobs, Historic Growth. The TCJA delivered on its promises to provide tax relief, boost paychecks, create jobs, and grow the economy. With the TCJA:

- 80 percent of wage earners saw increases in their take-home pay.
- Tax cuts went directly to middle-income families, with a family of four earning \$73,000 a year receiving on average a \$2,000 tax cut.
- Wages and salaries increased by 3.1 percent in 2018, the largest percent increase in more than a decade.
- Unemployment fell to the lowest level since the 1960s in 2018 at 3.9 percent, and CBO projects unemployment will continue to decline to 3.5 percent in 2019.
- There are now a record-breaking 7.3 million job openings.
- GDP grew at an annual rate of 3.4 percent in third quarter of 2018.

The House Budget Committee will hold a [hearing](#) on Wednesday, February 27, “2017 Tax Law: Impact on the Budget and American Families” to discuss the budgetary and economic effects of this historic tax bill.